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TO RUEHC/SECSTATE WASHDC IMMEDIATE 4373
INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L JERUSALEM 003717

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NEA FOR FRONT OFFICE; NEA/IPA FOR WILLIAMS/MAHER/WAECHTER;
OPS PLEASE PASS TO NSC FOR ABRAMS/DORAN/WATERS; TREASURY
FOR SZUBIN/LOEFFLER/NUGENT/ADKINS;

E.O. 12958: DECL: 08/18/2016

TAGS: EFIN ECON KWBG

SUBJECT: DISTURBANCES AT BANKS DURING DISTRIBUTION OF
FLAT-RATE ALLOWANCES

REF: A. JERUSALEM 3682

1B. JERUSALEM 3680
1C. JERUSALEM 2405

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

11. (SBU) Summary: The PA President's Office released a statement on August 18 announcing payment of a flat-rate allowance to 170,000 Palestinians, paid for the back-to-school period from Arab League transfers. Crowds formed at some banks to protest their action to withhold a portion of the allowances against individual debts owed to the banks. In response to the violence that accompanied some of the protests, the commercial banks and leading private sector institutions issued a joint statement condemning the violence. End summary.

12. (SBU) The PA President's Office released a statement on August 18 on the payment of a flat-rate allowance (ref A). According to Al-Quds newspaper on August 19, the President's Office announced that 170,000 Palestinians, including public employees, PA pensioners, and some social hardship and unemployed cases, received a "fixed amount" of NIS 1500 (USD 344) from funds transferred to the President's Office by the Arab League. The President's Office also added that the payments were timed for the back-to-school period.

13. (C) According to Bank of Jordan Regional Manager Mahmoud Takruri, there was an agreement amongst the banks and the President's Office to allow banks to withhold a percentage (not defined) of the flat-rate allowances against outstanding debts owed by customers to banks. (Note: The banks had not made any withholdings from the July 23 disbursement by the President's Office. End note.) Most banks decided to withhold between 35 and 50 percent of the allowance. Takruri confirmed to EconChief that Bank of Jordan decided to deduct up to 50 percent.

14. (C) Takruri described how a crowd of 700 formed outside the Bank of Jordan branch in Gaza City and demanded that their full allowances be disbursed. Takruri said that the crowd entered the branch, knocked over furniture, pulled down the ceiling, and assaulted two policemen and one bank employee. Eventually, Takruri said he gave the order for that branch to disburse the full allowance amount. Aside from its Gaza City branch, Takruri said other Bank of Jordan branches continued to withhold 50 percent, if applicable.

15. (C) According to press reports, the Arab Bank branch in downtown Ramallah was stoned August 19 and crowds also entered Arab Bank branches in Jericho, Khan Younis and Gaza

City. Takruri said he called for help from the Presidential Guard in Gaza, but the Guard was apparently already occupied that day with disturbances at the Rafah passenger crossing and at the two Arab Bank branches and did not have any additional forces with which to respond to the Bank of Jordan. (Note: See refs B and C for comments on bankers' concerns about security. This is the second time Jordanian-headquartered banks operating in the West Bank/Gaza have been targeted by angry demonstrators. The first incident was June 5. End note.)

¶6. (SBU) As a result of the disturbances, the Banks Association of Palestine, the Palestinian Businessmen Association, and the Private Sector Coordination Council jointly issued a press statement August 20 that condemned the attacks against bank employees and the damage to bank assets.

In coordination with the PMA, all banks in the West Bank and Gaza opened one hour later than normal August 20 in order to protest the "irresponsible actions." There were no reports of disturbances August 20, and banks were closed August 21 in observance of a public holiday.

WALLES